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ONTARIO CENTRE FOR RESOURCE MACHINERY TECHNOLOGY

1987 ANNUAL REPORT



MESSAGE FROM THE CHAIRMAN AND PRESIDENT

The stimulation of economic development, particularly in Northern and Eastern Ontario; creating new jobs; exporting products containing world-class technology; decreasing import dependency; the unleashing of Ontario's entrepreneurial spirit... It is this positive progress that we look upon with pride. And it is with optimism that we submit this annual report for the 1986-87 fiscal year on behalf of the Board of Directors of the Ontario Centre for Resource Machinery Technology.

The Centre's three main functions — venture investment, prototype research and technology diffusion — saw continued and positive activity this year.

Venture investment, the foundation of our activity and self-financing mandate, showed a 35% increase in investments over last year. Our total number of approved investment projects is now 41. Our efforts in fiscal 86-87 resulted in 361 inquiries, and the submission of 78 business plans. A total of fourteen investments were approved, including seven in Northern and Eastern Ontario. These approvals include reinvestments in five companies; three located in Northern Ontario.

As part of our objective to help companies bring unique products to market, the Centre approved three investments through the prototype research fund, including one in Northern Ontario.

In our catalytic role as diffusers of technological information, the Centre organized two highly successful symposiums in Sudbury this past year. "Applications of Automation in Mining, Present and Future" and "Sawmill Efficiency: The Key to Survival" drew over 300 participants from around the world. As well, board meetings in Thunder Bay, Sault Ste. Marie, Sudbury and North Bay, plus well-attended public information sessions organized with the assistance of the Ontario Ministry of Industry, Trade and Technology, have served to create a greater level of awareness for the Centre.

Our ongoing success is in large part attributable to the dedicated staff at the Centre, who have consistently exhibited imagination and tenacity in pursuing our goals. As well, the Board of Directors deserves recognition for their expert guidance in the making of sound investment decisions and the establishment of progressive operating policies. Furthermore, we commend the Government of Ontario for the political will and vision that continues to support the Ontario Centre for Resource Machinery Technology. Because of such wide-ranging commitment, a broad economic foundation based on the needs of the resource industries is being formed and strengthened in our Province.

Michael Roman-Barber, Chairman

John L. Dodge, President



AUDITORS' REPORT

April 24, 1987

To The Honourable Minister of Industry,
Trade and Technology of the Province of
Ontario and the Board of Directors of the
Ontario Centre for Resource Machinery Technology

We have examined the balance sheet of the Ontario Centre for Resource Machinery Technology as at March 31, 1987 and the statements of revenue and expenditure, equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Centre as at March 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Thorne Ernst & Whinney
Chartered Accountants



BALANCE SHEET

ASSETS

	March 31 1987	1986
Cash and short-term deposits	\$ 791,371	\$1,088,459
Receivable from Province of Ontario	2,950,239	1,475,564
Other	31,577	38,637
Investments	3,021,251	2,244,500
Fixed assets (note 2)	91,351	114,444
	<u>\$6,885,789</u>	<u>\$4,961,604</u>

LIABILITIES AND EQUITY

Accounts payable and accrued liabilities	\$ 64,825	\$ 70,242
Reserve for research and development (note 3)	743,363	514,418
Equity	6,077,601	4,376,944
	<u>\$6,885,789</u>	<u>\$4,961,604</u>

Commitments (note 4)

APPROVED BY THE BOARD:

Director

D'Arcy R Ooherty
Director



TATEMENT OF REVENUE AND EXPENDITURE

	Year ended March 31	
	1987	1986
REVENUE		
Interest on term deposits	\$ 131,090	\$ 66,185
Investment income	144,952	65,788
Other income	98,100	74,400
	<u>374,142</u>	<u>206,373</u>
EXPENDITURE		
Administration	1,154,411	1,002,376
Depreciation	47,104	42,428
	<u>1,201,515</u>	<u>1,044,804</u>
	827,373	838,431
Contributions from Province of Ontario (note 1)	<u>827,373</u>	<u>838,431</u>
EXCESS OF REVENUE OVER EXPENDITURE	<u>\$ Nil</u>	<u>\$ Nil</u>



TATEMENT OF EQUITY

	Year ended March 31	
	1987	1986
INVESTMENT		
Balance at beginning of year	\$4,262,500	\$1,595,000
Contribution from Province of Ontario (note 1)	<u>3,140,000</u>	<u>3,505,000</u>
	7,402,500	5,100,000
Deduct		
Transfer to reserve for research and development	310,000	250,000
Repayments from investments returned to Province of Ontario	156,250	137,500
Allowance for decline in value	<u>950,000</u>	<u>450,000</u>
	<u>1,416,250</u>	<u>837,500</u>
BALANCE AT END OF YEAR	<u>5,986,250</u>	<u>4,262,500</u>
FIXED ASSETS		
Balance at beginning of year	114,444	135,214
Contribution from Province of Ontario (note 1)	24,011	21,658
Transfer to operations (note 1)	<u>(47,104)</u>	<u>(42,428)</u>
BALANCE AT END OF YEAR	<u>91,351</u>	<u>114,444</u>
TOTAL EQUITY	<u>\$6,077,601</u>	<u>\$4,376,944</u>



TATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended March 31	
	1987	1986
CASH PROVIDED BY (USED FOR):		
OPERATIONS		
Contributions from Province of Ontario (note 1)	\$3,007,761	\$3,389,158
Increase in receivable from Province of Ontario	(1,474,675)	(1,510,149)
Increase (decrease) in accounts payable and accrued liabilities	(5,417)	46,877
(Increase) decrease in other assets	7,060	(5,898)
	<u>1,534,729</u>	<u>1,919,988</u>
INVESTMENTS		
Acquisition of investments	(1,883,001)	(1,237,000)
Proceeds from investments	156,250	137,500
Research and development expenditures	(81,055)	(55,789)
Additions to fixed assets	(24,011)	(21,658)
	<u>(1,831,817)</u>	<u>(1,176,947)</u>
INCREASE (DECREASE) IN CASH POSITION	(297,088)	743,041
Cash and short-term deposits at beginning of year	<u>1,088,459</u>	<u>345,418</u>
CASH AND SHORT-TERM DEPOSITS AT END OF YEAR	\$ <u>791,371</u>	<u>\$1,088,459</u>



OTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 1987

GENERAL

The Centre was established by the Government of the Province of Ontario pursuant to the provisions of the Technology Centres Act, 1982, to promote and enhance the application of current technology.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FIXED ASSETS

Fixed assets are recorded at cost. Depreciation is provided on a straight-line basis at the following annual rates:

Leasehold improvements	50%
Office equipment	20%
Office furniture	20%

CONTRIBUTIONS FROM THE PROVINCE OF ONTARIO

Contributions for operations are recognized as revenue in the year in which they are committed by the Province.

Contributions for capital assets are credited to equity in fixed assets. The equity is reduced by the depreciation for the year and is transferred to operations.

Contributions for the investment program are credited to the equity in investment fund.

INVESTMENTS

Investments are valued at the lower of cost or net realizable value. Income from investments is recorded on the cash basis in the statement of revenue and expenditure. Any gains or losses on disposal of investments and allowances for decline in the value of investments are recorded in the statement of investment equity in the year in which they occur.

RESEARCH AND DEVELOPMENT

Expenditures for research and development projects are expensed in the year in which they are incurred.



NOTES TO FINANCIAL STATEMENTS

(Continued)

1. CONTRIBUTIONS FROM PROVINCE OF ONTARIO

	1987	1986
Total contribution	<u>\$4,162,172</u>	<u>\$4,391,534</u>
Deduct contributions assigned to		
Investment fund	3,140,000	3,505,000
Fixed assets	<u>24,011</u>	<u>21,658</u>
	3,164,011	3,526,658
Investment repayments returned to		
Province of Ontario	<u>156,250</u>	<u>137,500</u>
	3,007,761	3,389,158
	<u>1,154,411</u>	<u>1,002,376</u>
Transfer from equity in fixed assets	<u>47,104</u>	<u>42,428</u>
	1,201,515	1,044,804
Deduct revenue earned	<u>374,142</u>	<u>206,373</u>
Contribution to operations	<u>\$ 827,373</u>	<u>\$ 838,431</u>

2. FIXED ASSETS

	1987		1986	
	Cost	Accumulated depreciation	Net book value	Net book value
Leasehold improvements	\$ 61,263	\$ 61,263	—	—
Office equipment	118,670	59,046	\$ 59,624	\$ 57,695
Office furniture	136,535	104,808	31,727	56,749
	<u>\$316,468</u>	<u>\$225,117</u>	<u>\$ 91,351</u>	<u>\$114,444</u>

3. RESERVE FOR RESEARCH AND DEVELOPMENT

	1987	1986
Balance at beginning of year	<u>\$514,418</u>	<u>\$320,207</u>
Transfer from investment fund	310,000	250,000
Expenditures	<u>(81,055)</u>	<u>(55,789)</u>
Balance at end of year	<u>\$743,363</u>	<u>\$514,418</u>

4. COMMITMENTS

The Centre has conditionally committed \$3,165,000 of the investment equity. This commitment is subject to satisfactory completion of business negotiations and legal matters.

The Centre has a lease commitment on the rental premises which expires on December 14, 1987, the cost to expiry is approximately \$43,000.



**ONTARIO
CENTRE FOR
RESOURCE
MACHINERY
TECHNOLOGY**

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